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Frank S. Simone
Government Affairs Director

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

May 20, 1999

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Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TWB-204
Washington, D.C. 20554

Re: Ex Parte, CC Docket No. 99-68, In the Matter of Inter-Carrier Compensation for ISP-Bound Traffic

Dear Ms. Roman Salas:

On Wednesday, May 19, 1999, Steve Garavito and the undersigned of AT&T met with Tamara Preiss and Edward Krachmer of the Common Carrier Bureau's Competitive Pricing Division. During the meeting we discussed AT&T's written comments in the above-referenced proceeding, using the attached presentation as a guide.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

A handwritten signature in dark ink, appearing to read "F. Simone".

Attachment

cc: T. Preiss
E. Krachmer

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List ABOVE



CC Docket No. 99-68

Inter-Carrier Compensation for ISP-Bound Traffic



CC Docket No. 99-68
Inter-Carrier Compensation for ISP-Bound Traffic

National Rules

- Strong national pricing rules for reciprocal compensation will:
 - reduce the transaction and litigation costs of entry,
 - enhance the ability of carriers to adopt region-wide or national entry strategies,
 - facilitate entry by providing carriers and financial markets with greater predictability,
 - simplify the dispute-resolution process by providing clear standards for arbitrators,
 - limit the number of issues that arbitrators must consider, and
 - enable this Commission to address issues swiftly if state commissions fail to act.



CC Docket No. 99-68
Inter-Carrier Compensation for ISP-Bound Traffic

*Existing reciprocal compensation pricing rules should cover
ISP-bound traffic*

Existing rules should be applied uniformly to voice and ISP-bound traffic.

- Unable to distinguish analog circuit-switched local voice/data from analog circuit-switched ISP data.
- No economic justification for subjecting local voice/data and ISP data traffic to different compensation rules.
 - costs associated with the termination ISP-bound traffic should be substantially identical to the termination of local voice/data traffic
 - originating costs are irrelevant
- ISP “sharing” of reciprocal compensation revenue can be discouraged by the existing rules’ requirements for forward-looking cost based rates.



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*National rules should apply uniformly to all forms
of ISP-bound traffic -- intrastate and interstate*

- No practical way to segregate intrastate from interstate ISP-bound traffic.
- Prohibitively costly and impractical for an ISP to store records of the thousands or millions of URL addresses that its customers request on a monthly basis.
- IP addresses do not disclose geographic locations
 - Intrastate/interstate nature of the traffic could change from day to day basis depending on the ISPs caching protocols.



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*Costs related to ISP-bound traffic should be
assigned to the intrastate jurisdiction*

- Jurisdictional assignment of ISP-bound traffic to the interstate jurisdiction would be inconsistent with the exemption for enhanced service providers from interstate access charges.
- Under bill-and-keep or a state determined cost-based compensation rate, both costs and rates would be determined by the same intrastate agency.
- Assignment of these costs to the interstate jurisdiction would artificially lower the incumbent's rate of return and lead to an unwarranted increase in access charges.



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Pick-and-choose issue is easily addressed

- Clarify in the Commission's order that its extension of its local traffic reciprocal compensation rules to ISP-bound traffic provides a basis for ILECs to break the chain of pick-and-choose elections regarding such traffic after existing agreements expire.
 - application of local compensation treatment to ISP-bound traffic should obviate any need for wholesale modification of existing agreements.
- Reaffirm that rule 809(b) sets forth the circumstances under which an ILEC can refuse to honor a pick-and-choose election
 - technical infeasibility or legitimate cost differences
 - ILEC bears the burden to prove these circumstances exist
 - absent such a showing, CLECs should be able to opt into any provision of an interconnection agreement for the same full term as the original CLEC.